

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHRB #0732/01 1111054  
ZNR UUUUU ZZH  
P 211054Z APR 06  
FM AMEMBASSY RABAT  
TO RUEHC/SECSTATE WASHDC PRIORITY 3482  
INFO RUEHAS/AMEMBASSY ALGIERS PRIORITY 3940  
RUEHMD/AMEMBASSY MADRID PRIORITY 5475  
RUEHNC/AMEMBASSY NOUAKCHOTT PRIORITY 3142  
RUEHTU/AMEMBASSY TUNIS PRIORITY 8822  
RUEHCL/AMCONSUL CASABLANCA PRIORITY 1609  
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0028  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RHMFIUU/DEPT OF ENERGY WASHINGTON DC PRIORITY

UNCLAS RABAT 000732

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR EB/ESC AND NEA/MAG  
USDOE FOR GINA ERICKSON AND YOUNES MASIKY  
USDOE ALSO FOR NNSA  
UNVIE FOR IAEA  
USDOC FOR ITA/MAC NATE MASON AND ITA/BI AARON BRINKMAN  
USDOC PLEASE PASS TO USTDA

E.O. 12958: N/A  
TAGS: [ENRG](#) [ETTC](#) [ECON](#) [SENV](#) [KNNP](#) [MO](#)  
SUBJECT: ELECTRICITY (IS) NOT STATIC

REF: A. RABAT 151  
[B](#). 05 RABAT 2311  
[C](#). 05 RABAT 1636

(U) This message is Sensitive but Unclassified, please protect accordingly.

[1](#). (U) SUMMARY: Director of Moroccan state electricity company Younes Maamar described to Ambassador on April 18 the government's plans to deregulate the electricity sector, stressing the GOM's urgency to diversify its energy sources and his personal preference that Morocco move forward with nuclear power. Maamar estimated the sector will need \$5 billion in private investment over the next five years to satisfy electricity demand. Ambassador announced the approval of an \$820,000 grant from the U.S. Trade and Development Agency (USTDA), with which Maamar was very pleased. END SUMMARY.

-----  
"Energy Hungry"  
-----

[2](#). (U) Newly-appointed National Electricity Office (ONE) director Younes Maamar described the power sector as the most "critical piece" in the country's quest for lasting economic development. Calling Morocco an "energy hungry country," Maamar said the state alone cannot provide the capital investment the sector needs to keep up with demand - growing an average of eight percent over the past several years - and said if private investment is not found the sector will become a bottleneck on economic progress. Maamar's goal as ONE director is to guide the organization through a restructuring process that will open the sector to private firms and bring in the estimated \$5 billion the sector will need over the next five years to keep up with demand. Ambassador agreed the state cannot provide this kind of capital and reiterated the importance of maintaining an appropriate balance of cost and supply of electricity to a developing economy like Morocco.

[3](#). (U) Maamar said that while liberalization is needed, the GOM will be careful to maintain adequate regulation.

Ambassador agreed, describing the problems faced in California after an excessive deregulation left the sector in shambles, to which Maamar spontaneously blurted "AES (his former employer) should have taken out political risk insurance in California!" citing the heavy losses the company suffered there. Maamar acknowledged that relying entirely on market forces in the power sector is not possible, and said power plants must be allowed to sign long-term guaranteed purchasing agreements.

-----  
Wind Power  
-----

14. (U) Ambassador noted that the astronomical growth of demand for electricity in Morocco and current high international prices of fossil fuels make diversification of energy sources and the development of renewable energy crucial for Morocco. Maamar said the country has some of the best wind energy potential in the world (Ref B), and that ONE will soon issue a request for proposals to develop a 50 megawatt windfarm in the north of the country on a Build-Operate-Transfer basis. He said Morocco will resist the temptation to develop wind energy through tax incentives as was done in the United States, but will instead rely on incentives to capital investment or debt concessions (where a portion of the commercial operator's debt is subsidized by the state), as was done in Europe. The GOM will also continue to sign guaranteed purchase contracts to mitigate the risk associated with high capital start up costs for the wind sector.

-----  
Going Nuclear?  
-----

15. (U) Maamar noted the GOM is looking into nuclear power as part of its drive to diversify its energy sources, and said while no decision has been made, he personally strongly supports the idea. He said the GOM is working with the IAEA on feasibility studies and he would like GOM officials to visit the United States to learn from its experience with nuclear power. Maamar took pains to emphasize that should the country pursue a nuclear program, it would do so within a legal/regulatory framework that the United States and other allies are comfortable with. Maamar made clear his desire for "help from our American friends" in developing nuclear capability. Ambassador said he had recently visited the Center for Energy, Science and Nuclear Techniques (CNESTEN), where U.S. firm General Atomics is completing a small research reactor (Ref C), and was very impressed with the agency's activities.

-----  
USTDA Grant  
-----

16. (U) Ambassador informed Maamar of the official approval of a USTDA grant of \$820,000 to provide technical assistance for ONE's proposed reorganization. Maamar was pleased with the grant announcement and said he had very favorable experiences working with USTDA in previous jobs.

-----  
Office National de l'Electricite  
-----

17. (U) The National Electricity Office is Morocco's state-owned electricity transporter/distributor and has nearly 9,000 employees. ONE is not a policy-making body; the Ministry of Energy sets policy and ONE carries it out. The organization will undergo a dramatic restructuring next year through a reform bill to be presented to parliament this year (Ref A) that will liberalize the sector and correct what Maamar called the "schizophrenic situation" of ONE being both a regulator and a competitor in the electricity market.

18. (SBU) Maamar said he hopes the liberalization will "open

the sector to the Anglo-Saxon world" and its important experience with energy policy. Noting that the next ONE Request for Proposals will come out in English, "the language of business," Maamar said "while Mr. Chirac has the prerogative to protect his language, I have the prerogative to bring investment to my sector."

19. (SBU) BIO NOTE: Maamar worked for the World Bank's International Finance Corporation for six years in Washington, and then for the Arlington-based AES Corporation at the company's London office. He looks to be in his mid-40's and speaks perfect English. Maamar's wife is American, daughter of a former U.S. ambassador. Maamar is a reformer with a modern, private sector outlook. Clearly more comfortable with the American style of doing business than the French model, at one point in the conversation Maamar said he considers himself "almost American."

\*\*\*\*\*  
Visit Embassy Rabat's Classified Website;  
<http://www.state.sgov.gov/p/nea/rabat>  
\*\*\*\*\*

Riley